Mr. T. K. Krishna Menon.—20 for, 13 against, and 2 neutrals.

5. Roads and thoroughfares.

As Mr. K. T. Mathew was absent, the fotlowing resolution and amendments were considered withdrawn :—

Mr. K. T. Mathew.—"*This Council requests theGovernment to throw open all roaas and thoroughfares under the control of the Government to all classes of people, irrespective of caste or creed*".

Mr. C. A. Kunjunni Raja.—*Omit "all roads and thoroughfares" and substitute 'everything'*"

Mr. A. Eachara Menon.—*Add after "thoroughfares" and before "under the control, etc.," "the words except within the Trippunittura fort."*

6. Loans of the Government.

Deputy President.—The next resolution stands in the name of Mr. Thomas Manjuran.

Mr. Thomas Manjuran.—The resolution that stands in my name is this. This may be taken as read.

Mr. U. Kandar Menon.—Please read it.

Mr. Thomas Manjuran.—"*This Council recommends that, in view of various allegations made in this House and outside, a committee of this House, together with such experts as may be necessary in individual cases, be appointed to go into the question of the various loans given by the Government, out of public funds, specially to consider the question of adequacy of security in each case, and recommend the collection or otherwise of the individual loans as the committee aeems necessary, in the best interests of the safety of the funds advanced and in relation with public advantage. The committee may also be asked to report upon the policy and method to be adopted in connection with future loans as well.*"

This resolution was necessitated on account of certain set of facts. It has been brought to the notice of this House, and all of us know, that in the Cochin Tanneries there is a very large amount outstanding as loans advanced by the Government. More than one Member has stated in this House that that money has to be reckoned as almost lost. Another instance was also brought to the notice of the House during the last meeting and even previous meetings, namely, of a very large amount advanced to a limited liability Co. in Trichur. At that time, when a reference was made during a previous sitting, the loan had been very long overdue,—both principal and interest. I understand that interest has been paid since. That does not mitigate the fact that over 3½ lakhs has been long overdue.

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Mr. C. A. Kunjunni Raja.—Not all. Only 2½ lakhs.

Mr. Thomas Manjuran.—What about the other lakh?

Mr. C. A. Kunjunni Raja.—Only at the end of 1104.

Mr. Thomas Manjuran.—I am glad you are correcting me. Well, 2½ lakhs is long overdue. I put it to the Members of this House whether any bank conducted on a proper basis would ever allow such a loan to remain overdue. They won't allow it to remain a week, much less for years together. What decent banks do, whenever a mortgage has to be paid up and is not paid up, is at once to take steps to secure their interest by either foreclosing or taking over management or having control of management.

Deputy President.—Is an Industrial loan given by the Government on the same footing as a bank loan?

Mr. Thomas Manjuran.—Is there any difference in the case of Industrial loans? In the case of Agricultural loans I know there are some special rules. Government has made specific distinctions. This is merely a loan made to an Industrial concern.

Mr. T. M. Krishna Menon.—It helps an industry.

Mr. Thomas Manjuran.—Whether the obligations under which the loan is taken are being fulfilled by the parties who have taken the loan is the question. If it was given specifically to support an industry, it was well and good to have given it. Support that industry by all means. Just as it is proper for the industrial concern to get loans, it is the interest of the public and of course of the Government to see that public funds given to a firm on loan are recovered in proper time, or the reason for delay ascertained. I am here not asking for pressing the firm to return the money at once. I am only asking for a proper enquiry into the reasons why the money was not paid and for ascertaining whether the money can be got back. What is wrong in that? I am not speaking to you about an obligation that is undue but an obligation that has been long overdue. As a matter of fact, I speak subject to correction, I find hundred rupees paid up shares of that firm quoted at Rs. 35 on the Madras Share Market. That does not speak much about the prosperity of that firm. Would any respectable bank keep quiet, after having invested a very large amount and after the amount has been long overdue? It may be an industrial concern, it may be a loan given to support an industry.

Dr. A. R. Menon.—On a point of information. Is the Hon'ble Member quite sure that the shares are only worth Rs. 35? When the Hon'ble Member of the House gives a statement concerning a firm of that magnitude, it must be based upon definite information.

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Mr. Thomas Manjuran.—My information is definite. I am credibly informed that that was the quotation.

Dr. A. R. Menon.--You simply say vaguely that it is worth Rs. 35. It is not fair.

Mr. Thomas Manjuran.—I said I spoke subject to correction. I said that from the best of my knowledge. The last figure that I have seen quoted was, I believe, Rs. 35. If the figure was better, my Hon'ble friend may quote it and I will accept it. You can state it. I said that it is my information and that it is subject to correction. If you want to keep those figures secret, you may. But I am entitled to speak to the best of my information. I say it is accurate to the best of my knowledge, and until and unless you say it is not accurate, and quote the figures, according to you, my figures must stand.

Deputy President.—Have you got *the Mail* ?

Mr. Thomas Manjuran.—I have not got *the Mail*. I am not now on an enquiry into the stock value of Sitarams. I am not here on that. I am speaking to you what I think was relevant on the matter in issue. I invited the Hon'ble Member who is opposing me in this connection to say what is the correct figure according to him.

Dr. A. R. Menon.—I will tell you that.

Mr. Thomas Manjuran.—Sitaram shares do not possess any great allurement to the public. Whether it is 35, 38 or 37½ it does not matter. Well, that being so, and the loan being long overdue, I respectfully submit it is the clear duty of the Government even without any resolution of this House to start an enquiry.

We are dealing with high speed, reciprocating, deteriorating machinery which may come down in value by age and use.

Deputy President.—Spinning was started only three years ago.

Mr. Thomas Manjuran.—The machinery came long before; at least most of it.

Mr. T. M. Krishna Menon.—They will be spoiled only by use.

Mr. Thomas Manjuran.—They will also be spoiled by abuse which is non-use. It is steel and iron. Non-use will be the best abuse of iron and steel machinery. If they are in use, all right; but they do still deteriorate. Anybody would say, our Chief Engineer would say, steel machinery deteriorates more than any other kind of machinery.

Deputy President.—Everything deteriorates. Even gold deteriorates.

Dr. A. R. Menon.—Even man deteriorates.

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Mr. Thomas Manjuran.—That is just the trouble. I say the vigilance of the Government has deteriorated in this matter. What is it that we are asking for? I find on the last occasion, when some such question was raised, the Hon'ble Member for Trichur was raising serious objection. But I find that the Managing Director of the Sitaram Mills, if I am not mistaken, has moved for the appointment of a committee of enquiry into the Vaniampara Rubber Company and the Directors of that Company, I am credibly informed, welcomed it. They did not shirk it. If the Company is prospering and flourishing, what is there to hide? It is a Limited Company and its accounts are open to the Joint Stock Registrar. (*Hear, hear.*) What I mean by an enquiry is only this. I am not very keen about an enquiry by the Members of this House. I want some sort of enquiry. I want the attention of the Government to be riveted on the subject, to ascertain whether our money is there or not. It may be that Sitaram is flourishing; it may be our money is absolutely safe. I do not for a moment say, because this resolution has been tabled, that Sitaram is gone. Nobody says that. Our money is gone out of the Tanneries. I happen to be a share-holder. It is the business of the share-holders, so far as their security is concerned, and it is the business of the Government and the public, so far as the Government and the public money are concerned. I do not for a moment say that Sitaram Company should not have any encouragement, because that is a company which employs a large amount of labour. I shall be the first man to help any legitimate aspirations of that company. But it would not be the proper and business-like policy of any Government, after having advanced a large amount of money, when that money becomes overdue, long overdue, and when the affairs of the company are not in a very rosy condition, not to look into the matter and ascertain whether it is safe. This is all I wish to say, and I do not intend my resolution entirely or exclusively against the Sitaram Company.

Mr. T. M. Krishna Menon.—If I am not interrupting, the Hon'ble Member, I presume, wants only an enquiry into the solvency of the company—I mean the safety of our money, *i. e.*, whether the amount that we have advanced is secure upon the premises, plants and fixtures of the company. Now, the Chief Engineer and myself have orders to jointly inspect the premises and the plants and see if they are sufficient security for the amount advanced. That will be a sort of enquiry, and if that enquiry would satisfy the Hon'ble Member.....

Mr. Thomas Manjuran.—If I had known it, I would not have said this much.

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Mr. T. M. Krishna Menon.—That is why I say we have orders to jointly inspect and value the buildings, etc., and see if they are sufficient security for the money that we have advanced. If the Member is satisfied with that, then there is nothing else to speak of with regard to the Sitarams. With regard to the Tanneries, it is, I believe, a hopeless matter and nobody is very serious about them.

Mr. Thomas Manjuran.—I am very glad that the Government is going into the matter. As I stated a moment ago, I shall be very sorry in fact, if this firm were to get into trouble. I shall be very sorry myself if a firm, which gives occupation for so many hands, is damaged in any way. On the other hand, I am also mindful of the money that we have advanced, and it is only that that prompted me to speak. If, on the other hand, Government is going to look into the matter, and as the Leader of the House stated, there will be the Chief Engineer and the Diwan Peishkar forming the enquiry units, I shall have no objection to the course because we have got the necessary technical knowledge and the ordinary civilian's and businessman's point of view available there. I hope the matter will be rigorously looked into, and if they are all right, let them continue. If they are not, the Government will have to take notice.

Now, the Tanneries, as the Diwan Peishkar stated, is practically a hopeless failure, and that is the more the reason why the matter should be tackled with at once. If we can get only 50% of what we have invested, why not get that? We had the sad case this morning of Rs. 6,000 being wasted because the matter was not taken in hand early enough. And in spite of the justifications given, it is clear, and it must have been clear to every one including the Hon'ble Government Members, that that was a waste which should not have been committed. Everybody knows fire-wood would rot. Everybody knows that fire-wood, kept for a couple of years in the open, would become worthless and would not fetch anything like half the original value. Now let us not convert the Tanneries affair into another fire-wood affair. If we can save at least something out of the debris, let us save it. What is the use of allowing machinery to stand still for years? I am sure I won't get a pie back, because I am only a share-holder. I shall at least have the satisfaction that the Government have saved at least 50% of the money that it has given. By all means work this Tanneries if you can, and I shall be immensely grateful, but if you cannot work the Tanneries, what is the meaning of allowing that money to go? Is it not the policy of drifting in the line of least resistance? It is our clear duty, as Members of this Council and as representatives of the public, now and again at least, to point

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out to the Government that this sort of drifting in the line of least resistance should not continue. If the Government can fix upon a plan of lucratively working the Tanneries, or anything like lucratively working the Tanneries, do it by all means. There is absolutely no use keeping that plant as a monument, for the edification of all the passers-by through the Cochin Railway, of Cochin failure. Everybody who comes into Cochin, passing along the railway line, asks what that thing lying ruined here is. They ask what is going on there and you say it has been shut up. How long ? So many years ! That is a standing monument, by our railway line, of Cochin inefficiency ! Let us at least have that slur from us taken away, even though we should lose half the money. It does not happen to be one of the few things which may, by age, improve. So I am sure, and even the Hon'ble Members on the other side will agree with me, that there is no time to be lost. There are other cases too. I won't call the Potteries advance a loan, though it would easily come into this category. These two are sufficient justification for this resolution, and if I have succeeded at least in raising the Government to this point of view that they should not allow all things to drift like this, my object is satisfied.

Mr. T. M. Krishna Menon.—Like the policemen getting a red line.

Mr. Thomas Manjuran.—Yes, an invisible badge. I commend this resolution to the acceptance of this House not at all in a spirit of recklessness or with a view to harm anybody—I shall be the last man to do any harm to an industrial concern. If the Government is looking into the matter I am satisfied with that.

I am really very sorry about the Tanneries. Nevertheless, there is no meaning in allowing it to go to rack and ruin like that. Where is the guarantee that it will not continue for another five years in the present condition? If you are going to work it, if you have got the remote chance of working it, do it. On the other hand, you are waiting for something to turn up, like *Micawber*—indefinitely expecting for something to turn up. That is not the policy for an energetic Government to follow.

Mr. V. D. Ouseph.—Do you press the resolution as it is?

Mr. Thomas Manjuran.—Yes, I do. I would say that a committee be appointed to go into these matters.

Mr. U. Kandar Menon.—Why is a committee necessary? If it is difficult to realise the money, the only way is to liquidate the company or to sue. What is the use of having a committee to consider the question ?

Mr. Thomas Manjuran.—There is another thing also, you will see, Sir; the committee may also be asked to report on

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the policy and method to be adopted in connection with future loans as well. The resolution embraces the whole thing, and it is "*specially to consider the question of adequacy of security in each case, and recommended the collection or otherwise of individual loans as the committee deems necessary, in the best interests of the safety of the funds advanced and in relation with public advantage. The committee may also be asked to report upon the policy and method to be adopted in connection with future loans as well.*" Now, if a committee is not required, then it means that the Government is doing its work properly. But from the discussion we had so far, there is absolutely no statement made by the Government to the effect that the Government is vigorously taking up the question of collecting the monies advanced to the Tanneries.

Deputy President.—Last time we had a discussion about the Tanneries.

Mr. A. B. Salem.—We had a resolution. That is about the closing of the Tanneries or collecting the money advanced.

Deputy President.—That is the only question even now.

Mr. Thomas Manjuran.—That does not come directly under the purview of my resolution. I submit, then, that this matter should appeal to the Government, and either there should be a vigorous investigation by the Government, or in place of that, this House must be allowed to investigate.

Mr. T. A. Ramachandra Ayyar.—On a point of information. The Hon'ble Member said there are many shaky investments. Will he mention one or two ?

Mr. Thomas Manjuran.—I said that for want of details I am not in a position to say just now.

Dr. A. R. Menon.—One question. Do these loans advanced represent only Government funds, or Government funds plus Devaswam funds ?

Mr. T. K. Krishna Menon.—The resolution is not seconded.

Mr. C. Barton Wright.—I second it.

Sir, I am very glad to associate myself with all that has just now been said by my friend, the Hon'ble Member for Trippunithura. I have already, on more than one occasion, previously, drawn the attention of the Government to the serious danger of investing large sums of the tax-payer's money in doubtful industrial ventures. May I, in this connection, ask the Government whether it has any definite policy in regard to these investments ? Were these loans advaced on mere "brick and mortar" or were they made with the primary object of encouraging the development of industries in the State ? Is the Government justified in advancing large loans to ventures

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started by amateurs on amateur lines ? Is there not a definite responsibility laid down upon those in administrative charge to see that public money is not wasted in haphazard and speculative ventures? No, Sir, the money collected from the public ought to be spent on reproductive works of public utility, such as the encouragement of cottage industries, development of the Co-operative and Agricultural undertakings in the State, the successful working up of schemes of rural reconstructions and not in bolstering up industrial concerns run by amateurs without the necessary experience and qualifications.

I may, in this connection, refer to the large loans granted by the Madras Government to the Carnatic Paper Mills to foster paper-making in this Presidency. The Government did this to satisfy the claims of politicians who are ready to boost any industrial experiments without proper investigation. The result as regards the Carnatic Paper Mills is a complete failure; and very sad revelations were made in the Madras Legislative Council when the matter came up for discussion. The Madras Government, however, were at least wise in the 11th hour; and have now taken over the control of the Mills.

In Cochin, too, large sums of money have been invested in the Potteries and the Tanneries and the Sitaram Mills. The Government have already burnt their fingers as regards the two former concerns and the money spent on them may be considered as irretrievably lost. Will the Government learn a timely lesson from its bitter experience of the past and try to recover the loan from the Sitaram Mills as early as possible or at least make sure that the money invested is recoverable not from "brick and mortar" but from legitimate earnings by the concern? In this connection I may remind the House that, during the Budget debate of last year, I had tabled a token motion under Demand No. XIV to ask the Government to appoint a committee to enquire into the real value of the assets of the Sitaram Company; and on that occasion I brought to your notice, Sir, that the Reserve Fund of the Sitaram is not adequate, and that the depreciation charges on buildings, plant and machinery are not made on proper business lines. Neither is there any adequate provision for Provident Fund and Fire Insurance; and with all this, the company could declare only "halting" profits. All this will be borne out by an analytical study of the balance sheets. This condition of the Mill cannot be attributed to any general depression in the textile market. If this were so, the other Spinning and Weaving Mills in the Madras Presidency and elsewhere must also face similar conditions. On the other hand, except in Bombay, where the concerns have suffered on account of strikes, the balance sheets of companies like the

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Buckingham and Carnatic Mills, the Madura Mills and other leading mills of this Presidency show satisfactory returns as the published share list will prove. I attribute the present state of affairs at the Sitaram's to want of expert management and the unjustifiably high commission charges paid to the Managing Agents. This is a state of affairs demanding further investigation especially when regard is had to the fact that 3½ lakhs of public money is advanced to this concern. Why should the Mill Directors refuse to face an enquiry ? The Managing Director of the Sitaram Mills is fully alive to the necessity of the importance of an enquiry of this kind for he, as Director of the Vaniampara Rubber Company, insisted upon a critical enquiry by an outside expert into the actual condition of the working of that concern, and the Managing Agent in this case welcomed this proposal; why then, I ask, should he oppose an investigation into the affairs of the Sitaram Mills, unless he feels that the state of affairs at the Mill cannot stand the light of an open investigation ? Sir, in the interest of the tax-payers of the State, in the interests of the thousands of share-holders of the Mill itself, I would request you to accept this resolution and appoint a committee with a non-official majority and with a few outside experts in it to go into the question of the loans made to the Sitaram Mills and other concerns, and more especially to report on the policy and methods to be adopted in connection with future loans.

In any case it is essential that Government insists that all concerned to whom they have advanced money should submit an annual statement of their financial position certified by a recognised firm of chartered accountants, and if they will not agree to this, they should be pressed to pay up their dues.

To substantiate the facts I have placed before the House, I have drawn a comparative statement of the balance sheets of 1924 and 1927. It will be seen from it that it is very necessary to institute a searching enquiry and ascertain the true position of affairs. I have placed this balance sheet before three different expert accountants, and they also say that the balance sheets, as they stand, do not reveal a satisfactory state of affairs.

Mr. A. B. Salem.—Who are the auditors of those balance sheets, please ?

Mr. C. Barton Wright.—I can tell you by reference. In 1924 the auditor was Mr. V. Ramaswami Ayyar and in 1927 the auditors were Messrs. M. S. Krishnaswami and Jagannath. I shall just read the figures. I think the whole thing should be enquired into by an expert. In 1924, the total on manufacturing account was 10,64,816 rupees.

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Deputy President.—So far as the Government is concerned, it is only a question of security, I believe ?

Mr. C. Barton Wright.—I am asking you to enquire into the financial state of this company by employing chartered accountants.

Deputy President.—That is not the resolution before the Council.

Mr. T. M. Krishna Menon.—I have to say one thing. I do not think the Government ever objected to enquire into the financial position. Only this House said that there is no necessity to appoint a committee to go into the question. Then something was said about the Vaniampara Company being willing to have their accounts examined by chartered accountants, and there was an attempt to show that Sitaram Company was unwilling to do so, and, therefore, some conclusions were being drawn. I never knew that Sitaram Company ever objected to that.

Dr. A. R. Menon.—My question has not been answered. Have Devaswam funds been transferred to any of these companies as loans ?

Mr. U. Kandar Menon.—In the case of the Vaniampara Company, a certain amount was borrowed from Devaswam funds and subsequently that amount was repaid by the Government and the whole amount now due is to the Government and not to the Devaswam. Rs. 75,000 alone remained. About half the amount has been repaid and the interest is being regularly paid. Now, the whole amount is due to the Government and not to the Devaswam.

Dr. A. R. Menon.—Now, is there any Devaswam fund remaining ?

Mr. U. Kandar Menon.—No.

Dr. A. R Menon.—In that case, I want to raise a preliminary objection.

Mr. U. Kandar Menon —Even in the first instance the loan from the Devaswam was to the Sirkar and not to the company direct. There is no Devaswam fund now in these concerns. The loan was by the Government and not by the Devaswam.

Dr. A. R. Menon.—Sir, I find it very difficult to oppose this resolution as it is presented. The spirit underlying this resolution and the way in which it is presented go to show to a very great extent—that is how I have understood from the general proposition—that it has descended into a question of going into the details of the working of certain firms. I wish to take a preliminary objection and also to enter my emphatic protest against the way in which this Legislative Council is interfering with the working of private firms.

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Sir, some time ago, when a question was asked by a Member of this House requesting the Government to furnish the names of securities and their material position in this world—I mean of the contractors—of some gentlemen who have entered into contract with the Government in the matter of timber, and a supplementary question was asked, I rose up from my seat and lodged a protest against raising any objection. I said that the Government, in entering into contract of timber with some people, have only entered as a private agency or a corporation and not in the capacity of the Government. The function of the Government is entirely different so far as that transaction is concerned, and it is only like the function of a corporation or of a body of men entering into contract with some other merchants, and I also pointed out to this House that, if they go on discussing the assets and liabilities of various firms and individual companies, the Government will not be in a position to get any contractors at all. I am sorry the Member for Mattancheri is not here. Otherwise he would be able to tell you that no merchant would allow his liabilities to be exposed or no merchant is expected to reveal them publicly, for almost all his trade is carried on upon his own credit and there shall not be any credit if his accounts were exposed. I do not know whether all the Members of this House will be willing to expose their accounts. There will be a skeleton in everybody behind all these things seen outside, and I say, gentlemen, general mercantile morality does not insist upon showing all your assets and liabilities. That is the preliminary objection.

Mr. Thomas Manjuran.—Without interrupting my friend, I just want to ascertain, is it not a fact that the accounts of the assets and liabilities of a limited liability company should be exposed to the Joint Stock Registrar ?

Dr. A. R. Menon.—That exposure is in paper presented to you every year. Study the paper and form your own conclusions.

My point is entirely different. I say the Government's function is not to go into these accounts. Your position is this. You have advanced 3 and odd lakhs of rupees to the company. I am not going to enter into the details of the working of the company as to whether it is a losing concern or not. All that the Government has to do in the interests of the public is to see that there is sufficient security for the money given by the Government (*hear, hear*). I do repeat, you should see whether there is sufficient security, and that information is to be gathered by investigation by their gazetted officers. I know that two of our Engineers and the retired Diwan Peishkar have pointed out, that I find from the nature of the discussion, that

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there was sufficient security. I cannot see any other three men in this House who are more competent to go through these accounts and give better advice to the Government or to the public. Now, if you are satisfied that there is sufficient security on the recommendation of your own officers, then the Government's business with the Sitaram Company ceases. You have no business to enquire into the method of working of the company except in so far as we do not lose our money, by their arriving at a loss.

Deputy President.—That is not the resolution. They were not talking of loss.

Dr. A. R. Menon.—These things are found in the papers and that is why I say they make an attack; that is the objectionable part of it. There is a veiled attack; at least I took it to be so.

Now what business has the Government to see how the company is managing its affairs so long as your money is safe? Certainly you have got some right to interfere if you are devoid of all public morality. Now you cannot interfere. Is the Government to enquire into the working of the company? You have only given some money as loan. You demanded security and security was given. Then the only point raised is if the money is given, it ought to have been taken back at the proper time, and my friend, the Member for Trippunithura, for once failed to appreciate and to grasp the essential duties of the Government. He said that Government is like a bank and these loans were long overdue. His statement is, on the face of it, to put it mildly, an absurdity, for the Government is not a bank. The function of the Government is something different from that of a bank and in the history of all countries, even big countries like Germany, Englard or any other country you like, Government were giving subsidies to start indigenous industries. The subsidies were given and the industries kept on. What the Government is doing is to show some consideration at a time when the company or the trade, primarily the cotton trade, is passing through a period of distress. They advance money provided there is ample security and only say "you give us interest." You have got ample security and, therefore, there is no use of enquiring into these things. I have dilated upon this subject to some extent now. We will have a chance of dealing with it further on a future occasion. I did this simply because, whenever such questions are discussed, it affects very adversely the interests of the company. I want this House to realise that this company does not belong to one man. This is a joint-stock company and it belongs to a number of people and it employs 2 or 3 thousand people and Trichur practiyllac will be affected adversely to a very great extent if your interference does deal a

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heavy blow upon that company. I am not interested in the working of this company or that company. As a public man I am interested in it as a public question. This is a public question also apart from being a private question of a private company. Even leaving that the Trichur Municipality has a duty to see that the interests of the people within the Municipal area who depend upon this company are not adversely affected.

Mr. Thomas Manjuran.—I think the Hon'ble Member is one of the Managing Directors of the Sitaram.

Dr. A. R. Menon.—I have proclaimed that, my friend, but not a pie have I advanced. In the Trichur Municipal Council also we know the tendency of the people and we object to it and I strongly object to the attitude of this House to come forward without definite reasons to attack a company,—

Deputy President.—The House has not said anything. Why should you find fault with the House?

Dr. A. R. Menon.—It is because I want the House to realise it. Last time when this discussion was over, a number of letters were sent, "is it true?; is this true?; is that true?" That is the way in which mischief is being done. It does mischief without doing any benefit either to the Government or to the company or to the people. It does not do any benefit. Now, they quoted an example of Vaniampara being inspected by an expert. Who objected to an inspection? We did not object to make Vaniampara submit to an inspection Did the Government ask? The share-holders asked. The Sitaram share-holders alone have a right to demand an enquiry and no Government has any right. Therefore, those who are anxious to inquire into the working of this company—I do not say whether it is good or bad—must apply to the share-holders of the Sitaram Company. Let these gentlemen go and persuade the Sitaram share-holders, " look here, gentlemen, this company is not being managed properly; why do you not demand an enquiry to be instituted," and if the majority of the share-holders carry the proposition, *ipso facto* it must be accepted by the Managing Directors. That is the way in which the thing should be done. Why? Even the Government will not allow us to ask a few questions regarding some co-operative business. Government would not even allow me—I do not find fault with the Government for that—to ask the names of banks to which money was advanced and they refused on the ground that, if the names of the banks are mentioned, the banks to which money was not advanced will lose their custom and very curiously took that as a serious objection. So I honestly say the Government should have more vital interests in the working of this individual company in the whole of Cochin State. Though these things look

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reasonable, the spirit underlying does not seem to be very appealing, and further Government have come to realise that there is sufficient security, and why should they be asked to do this matter again? I do not see why we should think that we are more competent to find out securities then the responsible Government officials who themselves have enquired and found that there is sufficient security. I shall, therefore, refuse to share this responsibility. Government have done this work and let them share the responsibility. For these various reasons I shall not subscribe to this resolution.

Mr. A. B. Salem.—Sir, I should like to know whether Mr. Barton Wright intends to move resolution No. 22 that comes for to-morrow. If that is going to be moved, I will reserve what I have to say for that occasion rather than now.

Deputy President.—You assume that he is going to move it to-morrow.

Mr. A. B. Salem.—I leave him to answer or not to answer. I know the course I am to take.

Deputy President.—When notice has been given you are to assume that it will be moved.

Mr. A. B. Salem.—Much about Sitaram Company is being mentioned in this resolution, and I have got something to say in the matter. I want to touch upon some general matters. If this matter is not coming up, then my line of speech will be different. So I ask the Hon'ble Member through the President whether he is going to move the resolution to-morrow.

Deputy President.—He is not bound to answer.

Mr. A. B. Salem.—If in courtesy he gives me the answer, all right. I put the question and leave it to him to answer or not.

(*The question was not answered.*)

Mr. A. B. Salem.—Well, Sir, I take this silence to mean that this resolution may not come up and, therefore, I want to say a few words now.

With a view that this resolution is being tabled in this House, I had the honour of being invited to the Sitaram Mills. I am speaking here with first-hand information on the subject. I think the Managing Director has told me that he is prepared to value the whole of the working machinery and buildings to see whether sufficient security is being given to the Government, and much has been said here about his unwillingness and they are all unfounded; and I think that, in discussing a general resolution, it is quite unfair to consider the adequacy of the security of the Sitaram Mills. The talk here has been on Sitaram Mills and Sitaram alone. Now, Sir, as far as that institution is concerned, and viewing the matter from the number of looms

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it possesses, I think that institution is working at a very great profit. Besides this institution is employing a large number of Cochin people themselves. We all know that, during the last two years, the cotton markets have been passing through a very great crisis. Therefore, it was not possible to have the full amount of anticipated profits. There is also room for another 10,500 spindles more to be worked by that company. Now, under these circumstances, if the Government would grant a loan of another extra lakh of rupees or two, it would mean greater out-turn in the industry. And it will help also to solve the problem of unemployment to a little extent. This is the course that the Government ought to take. If I understand correct, I think the Sitaram Mills applied for a loan of 7½ lakhs of rupees and the Government were only pleased to grant a loan of 3½ lakhs of rupees. The only question for the Government to consider is whether the security is sufficient. I believe that the company has paid all the interest up-to-date. This is the only industry in our State which is doing cotton business. If we ask the company now to return the capital of the loan which has been advanced to them, I say that it will only jeopardise the working of the company. I believe that our Government will be the last one to resort to such a course. The trend of the speech here was to ask the Sitaram Mills to return their capital. As a public man I ask the Government as to what these loans are intended for. These are intended for a large number of people, a large number of poor people and also to encourage industrial concerns in the State. The only thing that the Government have to see is about the proper security that is offered. Government get only 4½ per cent interest in the investments they have made in the Imperial Bank and the National Bank while they get 7½ per cent in the case of the loan advanced to the Sitaram Mills. The Hon'ble Member for Planters stated here that the Sitaram Mills does not like to look into its solvency or to submit to an enquiry. I make the statement here, with the permission of the Sitaram Mills, that they welcome an enquiry into the adequacy and ampleness or otherwise of the security offered by them. Under these circumstances, all those remarks that have been levelled against the said company are out of place. As regards the proposition that, whenever we give a loan, we should periodically enquire into the solvency of the parties concerned, I think that it is the duty of the creditor to look into that.

Mr. U. Kandar Menon.—Government are doing it also.

Mr. K. P. Kannan Nayar.—Now, so far, this resolution is concerned, I feel one difficulty and that difficulty is this. I do not know if this resolution in a general form is a practical one. I think that an identical resolution was moved in this Council. I find from the nature of the discussion that

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the resolution was made applicable particularly to two concerns, viz., the Sitaram Mills and the Cochin Tanneries. My difficulty is so far as theTanneries is concerned. I find a resolution almost identical with the one was moved in the case of the Tanneries at the last meeting by the Hon'ble Member for Chalakkudi. I do not know whether the rule that a resolution identically the same cannot be moved within the period of one year will not stand in the way of discussing this resolution.

Deputy President.—I do not think that this rule will apply in the present case.

Mr. K. P. Kannan Nayar.—Of course it is left to the Chair to decide that point. The resolution was that "*This Council recommends to the Government to take immediate steps to recover the loan advanced to the Cochin Tanneries*". We all know that the present resolution is in a general way. But it is concerned mainly with the loans advanced to the Sitaram Mills and the Cochin Tanneries. Now so far as the Sitaram is concerned, I don't want to say anything with respect to that. The only difference was that did not cover security. I say that my objection is on a point of order.

Deputy President.—Now, so far as the Tanneries is concerned, everybody knows that the security is not sufficient.

Mr. T. M. Krishna Menon.—Now, so far as the working of the Tanneries is concerned, it is a joint-stock company, and I do not think that the Government can take up the management without the consent of the company. With regard to the future working of the company, it is to some extent within the power of the Government since they have got a good number of shares. This was the discussion that took place last time.

Mr. K. P. Kannan Nayar.—When one resolution was moved that the money should be recovered in the last Council, I say that this resolution should not be moved in this meeting, and now the question is whether this resolution is identical.

Mr. Thomas Manjuran.—That is not my resolution.

Mr. K. Mohamed Seethi.—The resolution was not intended for recovering the loans.

Mr. K. P. Kannan Nayar.—Rule 35 speaks on the subject. The words used are "substantially identical".

Mr. Thomas Manjuran.—It is neither substantially the same nor identical.

Deputy President.—Now the question is whether an enquiry should be made with regard to the adequacy of the security. The gist of the argument is that there is no sufficient security for the loans advanced.

Mr. Thomas Manjuran.—The committee is intended to enquire into the security of the present, future and the past. This committee is an all-embracing one.

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Deputy President.—Anybody wishing to speak?

Mr. P. Krishna Menon.—The arguments advanced in support of the resolution have dwindled into two individual items. (*Hear, hear.*) I beg to submit that this is not the proper way of doing the thing. The principle of the resolution, namely, that there should be a fixed policy about granting loans by Government and the primary consideration of granting loans should be sufficient security, is admitted by all parties concerned. Now to oppose this resolution would mean that I oppose that policy. Certainly I am not for that. But unfortunately in this particular case the resolution "*that this Council recommends that in view of the various allegations made in this House and outside*" I have to oppose it. Well, what are the allegations made inside and outside this House? So far as I am aware, no allegations have been made on account of the ground of insufficiency of security. Now the matter for us to consider is about the adequacy of security in each case. I must say now that these allegations have been made about the inadequacy of the security upon which the loans were granted. Now is there anybody in this House to say that the Sitaram Mills or even the Tanneries have not got sufficient security? Certainly not. The Hon'ble Member for Trippunittura has not said that it was granted on insufficient security. So the whole argument was directed that the present working of these two concerns was not satisfactory. That there has been a deterioration is clear from the figures. But the resolution now wants specially to consider the question of adequacy in each case as it now exists. Now I would invite the attention of this House to this fact how is it that the House, as such, is entitled to go into these questions. (*Hear, hear.*) That is the point. It is a matter between the Government and the party who has taken the loan.

Mr. A. B. Salem.—That cannot be.

Mr. P. Krishna Menon.—It is an affair between the Government and the party who has contracted the loan. You mistake the thing either intentionally or otherwise, which I do not mind. This Council has every right to question the action of the Government in giving loans on insufficient security. I do not deny this fact. And if, after some time, the Government finds or the Council finds that the security is insufficient, it is the duty of the Government to call upon the party to furnish sufficient security. That is exactly what is being attempted to be done by the Government. The Leader of the House has made it clear that attempts are being made to revalue the assets of the Sitaram Mills. Therefore, that argument goes. The only other case is the instance of the Tanneries. With regard to the Tanneries, there also the matter has been made clear that

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there is no necessity for a committee because there is no security at all. Because it is more or less clear that there is no security and that the utmost the Government can do is to wind up the concern, and if they do so, perhaps they may get an anna in the rupee. Therefore, the Government cannot wind up the concern in the capacity of the Government but only as share-holders represented by the three Directors nominated by the Government. Therefore, my humble submission is that no committee has to be appointed for more reasons than one.

Mr. Thomas Manjuran.—I should like to have the Government view in this matter.

Mr. C. A. Kunjunni Raja.—Sir, I may be permitted to say a few words. From a reading of the resolution in the agenda my idea was that the Member for Trippunittura was to move for the appointment of a committee of this House to enquire into the financial situation of all the investments that are now pending to the credit of our Government. In effect he wanted to enquire into the financial condition of the Cochin Central Co-operative Bank, Limited, to which this Government has given a loan of twenty-five thousand rupees, then to the financial condition of the Government of India to which this Government has given a loan of Rs. 52,600, to that of the Vaniampara Rubber Co., Ltd., to which Rs. 75,000, then of the Mysore Government, to which Rs. 5,00,000, then of the National Bank of India, Ltd., to which Rs. 11,54,650—8—6, then of the Thirumala Devaswam, to which Rs. 14,200, then of the Imperial Bank of India, to which Rs. 15,13,333—5—3, then of the Indian Bank, Ltd., to which Rs. 6,33,061—5—7.

Mr. Thomas Manjuran.—All this is wrong, Sir.

Mr. C. A. Kunjunni Raja.—Why? I am quoting these figures from Appendix I in answer to question No. 161 of this Legislative Session, and I am referring to all outstanding loans. Then of the Cochin Electrical Co., Ltd., to which Rs. 25,000, then of the Trichur Municipality, to which Rs. 27,265 and lastly of the Ernakulam Municipality, to which Rs. 44,666-10-8 are advanced as loans by this Government. Sir, these are the only outstanding loans which will be evident from the information supplied by the Government in print here. The other two loans are to the Cochin Tanneries, Ltd., and the Sitaram Mills, Ltd. The Hon'ble Member has ignored in his speech all these loans and has marked out only the last two and has directed his attack against the Tanneries and the Sitaram. The cat is now let out of the bag. With regard to the Cochin Tanneries, Ltd., I find that the interest of the Government is in shares of the value of Rs. 1,20,000 and in three loans given by the Government, one for Rs. 50,000, another for Rs. 14,910—3—7 and a third for Rs. 56,844—13—4. As a creditor I do not know how far the

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Government has power to take up the management; but as a big share-holder they may be able to do something. I must confess my information about this concern is very meagre and I propose to leave it there. But, so far as the Sitaram Mills, Ltd., is concerned, my submission is that neither this Council nor the Government has any legal power to conduct the proposed inquiry. The Government's position is only that of a creditor. If the security is insufficient, the Government will have to go to a court of law and that is the only available remedy. You have no power to conduct an inquiry. The Directors may not generally out of courtesy refuse an enquiry to be made, but if you claim it as matter of right, my information is that it is not one of the terms of the loan to subject themselves to an inquiry, and as such you cannot hold the enquiry suggested by the resolution. Further, much misconception has also been set afloat about this company. I made a close study of the affairs of this company and I have prepared a note which I propose to place before the Council to remove all false impressions.

The Sitaram Spinning and Weaving Mills, Ltd., was registered in the year 1909 with a nominal capital of Rs. 1,20,000 which was subsequently raised to three lakhs. In 1920, when the nominal capital was raised to Rs. 20,00,000, the paid-up-capital was only Rs. 1,55,000 and the investments under buildings was less than Rs. 40,000 and the depreciation written off amounted to Rs. 9,200, *i.e.*, more than 25 per cent in the course of 11 years; in the same year the investment under machinery was about Rs. 85,000 with depreciation written off amounting to Rs. 29,000 *i. e.*, about 35 per cent. At this time there were only 150 looms working.

Though the nominal capital was raised to Rs. 20,00,000 with a view to open spinning section and to add more looms to the weaving section on account of some delay in raising the necessary capital and on account of same dispute with the machinery-makers, it was only in the year 1925 that the new buildings were completed and the spinning section commenced work. Till the year 1923, adequate provision for the depreciation on the old buildings and the weaving machinery have been provided for. It is true that adequate provision for depreciation has not been made in the balance sheets for the last four years. A reference to the Textile-Tariff Board report will show that it is not customary to provide for adequate depreciation in lean years and that the usual practice followed by Mills is to provide for arrears of depreciation in bumper years. That is what Sitaram Mills did in the beginning and will certainly do in future. They have only followed the usual practice adopted by other Mills and deserve no condemnation. But the

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creditor has of course to see that he has sufficient security for the amount lent after providing for adequate depreciation.

According to the latest balance sheet for the year ending with 1103 after deducting the sum of Rs. 44,000 for depreciation out of the profits of 1103, the total figures under land, buildings and machinery comes to Rs. 15,57,369—12—4. From the creditor's point of view a further depreciation of Rs. 2,70,000 must be made, and deducting this from the book value shown, the nett value of land, buildings and machinery comes to Rs. 12,87,369—12—4. Is this not sufficient security for three and a half lakhs of rupees advanced by the Government? During the Budget Session, the Hon'ble Member for Planters referred to the Buckingham Mills. It was registered in the year 1876 and is more than 50 years old now. The Sitaram Mills is nearly 19 years old, and if, in the next thirty-one years, they provide the same amount of depreciation as they have done in 1103, the total provision in their fiftieth year will be not 40 per cent on buildings and 70 per cent in machinery as in the case of Buckingham Mills but will exceed cent per cent.

The first lot of 50 looms purchased by the Sitaram Mills is no doubt 15 years old, but anybody carefully examining them and seeing their working will testify that they are as good as new.

It is a mistaken notion to suppose the longer is the working period the greater is the depreciation.

The opinion of experts is that machinery depreciation is not when they are working but when they are idling.

In the opinion of experts which is confirmed by many, the depreciation of machinery working for 15 hours per day is less than that of the machinery working for 10 hours per day. At first sight this may sound rather curious, but all the same, that is the grim truth.

A comparison of the manufacturing profits of the Sitaram Mills with that of any other Mills in South India will easily convince anybody that the concern is under very efficient management.

The latest balance sheet of the Radakrishna Mills, Coimbatore, consisting of about 19,000 spindles shows a manufacturing profit of Rs. 2,81,000, that of the Sitaram with about 10,000 spindles shows a profit of Rs. 1,55,000. On the basis of the profit of Radakrishna Mills the profit of the Sitaram Mill should be only 2,81,000 $\times$10 divided by 19, i. e., Rs. 1,47,894 whereas the actual manufacturing profit showed above is Rs. 1,55,000.

Again take the Kaleeswar Mills, Coimbatore, consisting of 26,000 spindles and supposed to be the best managed Mills in South India. The latest balance sheet shows a manufacturing

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profit of Rs. 3,71,000. On this basis the profit of the Sitaram Mills should be 3,71,000 x 10 divided by 26 is Rs. 1,42,307 against the actual manufacturing profit of Rs. 1,55,000 made by the Sitaram Mills.

If now it will be remembered that a Mill consisting of twice as many spindles as another Mill the profit of the former should be more than double that of the latter, for the simple reason that when the output is doubled the expenses will not increase in proportion, the efficiency with which the Sitaram Mills are now being managed cannot be questioned.

When the loan of three and a half lakhs of rupees was given by the Government to the Sitaram Mills, both the Mills and the Government only expected that a repayment of the loan will be made out of profits. To work the Mills with its fullest capacity and to make a decent profit required about 7 lakhs of rupees over and above the amount which the Mills were able to raise by share capital, but for some reason or other the Government lent only three and a half lakhs of rupees, with the result that the Mills were able to instal only 10,000 spindles though buildings and motive power were ready to accommodate 21,000 spindles. The Mills realised that the nett profit will not leave much to make repayment to the Durbar till the Mills were worked almost to their fullest capacity, and, therefore, prayed for a further loan of 1½ lakhs of rupees. The output of the Mills can be doubled for the simple reason that no further investment need be made on buildings, motive power and blow-room machineries. It can be very easily perceived that, if the output is doubled, the profit can be trebled. If not by actual lending further sums to the Sitaram Mills, at least by not pressing for the amount already lent, namely, three and a half lakhs of rupees, the Durbar will be well advised to give all facilities to the Mills to enable them to double their output, in the course of two or three years and become one of the best Mills in South India. By the provision they make for depreciation, year after year, they will be able to instal more spindles and work the Mills to its fullest capacity and to earn an annual profit of at least 3 lakhs of rupees. The Durbar must be satisfied with a regular payment of interest and should not press for repayment of principal for another four years. The Durbar can then have the satisfaction of feeling that by their help a first-class Cotton Mills directly employing about 2,000 hands has been well established in this State.

On the other hand, if the Durbar presses for payment of the principal, they would be doing a serious injury to the cause of industry in general.

So long as the security offered as shown above is ample, and so long as the rate of interest paid is very decent, and so

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long as the Mills are not engaged in a losing fight, there is absolutely no justification for Government to withdraw the help at this juncture, when everywhere else Government is thinking for subsidising the industry.

Mr. T. M. Krishna Menon.—Sir, much of what has been said is, in my opinion, besides the point of the resolution. The resolution is in substance one for the appointment of a committee to enquire into a certain definite matter, *i. e.*, the state of the securities for the several loans advanced by the Government. Though the resolution refers to loans generally, two have been specifically referred to in the debate and much has been said about them. They are the loans advanced to the Sitaram Mills and the Cochin Tanneries. With regard to these two, the position of the Government was in the course of the debate explained. However, I shall repeat them once more for greater clearness. With regard to the Sitaram, I assured the Hon'ble mover of the resolution that there is an order of Government that the securities now existing should be re-valued by the Chief Engineer and myself and he was fully satisfied with that assurance. I believe that the same satisfaction will be felt by this entire House, and if they do, as I am certain, they will, there is no necessity for the appointment of a committee for enquiring into the sufficiency and stability of the security for this loan. The appointment of a committee is equally unnecessary in the case of the Tanneries as well. Everybody knows that there is no adequate security for the loan advanced to this concern, and the only question is how best it may be realised. It may be either by the Government entering upon the management of the company or by enforcing the security by suit or otherwise. To decide on either of these courses a committee is quite unnecessary. It is then said that a committee is necessary to advise the Government on future loans. That must be a standing committee. But so far as I can see no case is made out for the appointment of such a committee.

Rao Sahib Mr. C. Matthai.—The Diwan Peishkar has made the view of the Government clear, and I do not think I need say much. I shall just point out that no case has been made out for the appointment of a committee to enquire into the sufficiency of the security of these loans. Much was said here about the loan advanced to the Tanneries. Well, the question of the Tanneries has already been discussed sufficiently, and it is not a fresh matter to be laid before the House. When we talk of loans advanced by Government to industries, they should be viewed differently from loans given by banks to private parties. At the same time Government must see to the safety of such investments. Government is greatly concerned

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with the promotion of indigenous industries. (*Hear, hear.*) In all civilised countries private industrial enterprises are encouraged by the State In Madras, for instance, they have passed the State-Aid-to-Industries Bill and in accordance with it they are advancing loans to promising industries. The Government of India gave a huge subsidy of about a crore of rupees to Tata's Steel Industry at Jamshedpur. There was great foreign competition and there was the danger of the industry being extinguished. The subsidy was intended merely to save that great industry from extinction. Later on, they were helped by means of a protective tariff so that they may be able to regain their position. There have been several cases of failure in Madras and elsewhere, and we have also had our share of misfortune. So far as the Cochin Tanneries are concerned, it is admitted that the concern has failed. And Government will be taking the best course available under existing circumstances.

Mr. Thomas Manjuran.—How many years have we to wait for some steps being taken ? If there is the remotest possibility of recovering the loans advanced, I should state in this House that the best course should be selected at the earliest possible opportunity. If the company cannot be restored, then the only other thing is to wind up the concern. What I say is that the Government should realise its responsibility since the loans are long overdue and see that some measures are taken to recover the loans at an early date.

Mr. C. A. Kunjunni Raja did not move his amendment to "insert at the end 'as the names of persons to whom the loans can be advanced'," and hence it was considered withdrawn.

Deputy President.—To-morrow, being New Moon day, the Council will meet only at 12-30.

The House rose for the day, it being 5 p. m.

T. K. KRISHNA MENON,

Secretary to the Council.

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